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FISCAL IMPACT STATEMENT

LS 7790

BILL NUMBER: SB 371

NOTE PREPARED: Mar 30, 2005

BILL AMENDED: Mar 29, 2005

SUBJECT: Various Education Matters.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR: Rep. Behning

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill has the following provisions:

Professional Standards Board- The bill provides that the Department of Education (the Department) rather than the Professional Standards Board (the Board) governs education, licensing, and professional development of teachers. The bill establishes a division within the Department to administer these functions. The bill changes the current Professional Standards Board into an advisory board to advise the State Superintendent of Public Instruction, the State Board of Education, and the Division of Professional Standards. The bill provides that the Advisory Board has rule-making authority. The bill establishes a fund to receive fee revenue. The bill provides for use of the fund for program administration. The bill repeals a redundant section and adds transitional provisions.

Mandatory School Attendance Age- This bill raises the age of mandatory school attendance from 16 to 18 years of age. It specifies that a student may withdraw from school before becoming 18 years of age only for the reason of financial hardship, provided the student is employed and supporting the student's family or dependents. The bill requires a student who seeks to withdraw from school before becoming 18 years of age or graduating to sign a written acknowledgment that the student and the student's parent or guardian understand that withdrawing from school is likely to reduce the student's future earnings and increase the student's likelihood of being unemployed or incarcerated in the future. It requires the Department of Education, to develop a written consent to withdraw from school form for a school corporation to use in implementing the written acknowledgment. The bill expands the reasons a work permit and driver's license may be denied. It also requires the principal of the school the student last attended to notify the Department of Child Labor and the Bureau of Motor Vehicles, if a student has not received consent to withdraw from school and the student fails

to return to school.

Spring ISTEP- The bill provides that the ISTEP test must be administered during the spring semester for school years beginning after June 30, 2006. The bill provides for a spring ISTEP pilot test in May, 2006. The bill requires the Department of Education to develop a ten-year plan for student diagnostic and summative achievement assessment before August 2, 2005.

Teacher Examinations- The bill allows individuals who have failed the written teacher licensing examination at least twice to receive detailed score reports and allows these individuals to prove content knowledge assessed in the written examination by alternate means. The bill repeals a redundant section and adds transitional provisions.

Initial Teacher License Requirements- The bill requires the Department of Education to submit initial teacher license requirements to the Education Roundtable for review.

Teacher CPR Certification- The bill requires training in cardiopulmonary resuscitation (CPR) and the Heimlich maneuver to obtain an initial license as a teacher. The bill establishes immunity from liability for an act or omission by a teacher who has obtained a license and been trained in CPR.

Teacher Recruitment and Retention- This bill establishes a teacher recruitment and retention fund, administered by the Professional Standards Board, to: (1) attract qualified teachers to geographic areas of Indiana where a critical shortage of teachers exists; and (2) retain qualified teachers in teacher shortage areas; by providing student loan repayment assistance. It provides that as a condition of participating in the program and receiving student loan repayments, a teacher must agree to employment as a licensed teacher in a school district located in a teacher shortage area for at least five years.

Study of Alternative Teacher Certification- The bill requires by December 31, 2005, based on some contingencies, the Department of Education to study and make findings and recommendations to the Legislative Council on alternate methods for teacher licensing certification for teacher shortage areas.

Effective Date: (Amended) Upon passage; July 1, 2005.

Explanation of State Expenditures: (Revised) ***Professional Standards Board-*** *Summary:* The impact to state expenditures is expected to be minimal and will depend on the administrative actions taken by the Department of Education in order to implement this proposal.

Under the bill, the following would be transferred from the Professional Standards Board to the Department: all real and personal property of the Board; all powers, duties, assets, and liabilities of the Board; and all appropriations to the Board.

The Indiana General Assembly appropriated \$6.8 M to the Professional Standards Board for administration and programs and \$443,900 for teacher licensing in FY 2005. For FY 2005, the Board had 39 full-time, one temporary, and an intermittent funded positions. As of November 2004, the Board had 34 filled positions. Of these positions, 30 employees were full-time and four were on leave.

The bill would allow the 19 members of the Professional Standards Board to be transferred into the Advisory Board for the Division of Professional Standards within the Department of Education (the Advisory Board).

The members of the Advisory Board would receive the same per diem, travel reimbursement, and payment for services rendered in relation to direct duties to the Advisory Board. Under the bill, the Superintendent of Public Instruction would appoint the director of the Advisory Board. The Advisory Board would be given rule making authority (with the approval of the Superintendent of Public Instruction) to set standards for teacher licensing and the administration of a professional licensing and certification process.

The bill would also establish the Division of Professional Standards within the Department. The Division would essentially assume the duties of the Professional Standards Board.

The bill creates the Professional Standards Fund which would consist of fee revenue. The Fund would be administered by the Department of Education. Money in the Fund would not revert to the state General Fund at the end of the state fiscal year. The Department would use the Fund revenue for the administrative expenses to carry out the provisions of the bill.

Background: The Professional Standards Board was established by P.L. 46-1992 to train, license, and professionally develop teachers, school superintendents, and school psychologists. The Board also holds hearings and has the power to revoke the license of a licensed individual. Prior to 1992, the State Board of Education via the Department, held the responsibility for licensing of teachers.

Mandatory School Attendance Age- The Department could incur additional expense to develop the consent-to-withdraw form and to collect information on the number of students that withdraw from school. The increased costs would likely be minor. The Department's current level of resources should be sufficient to implement these provisions.

Under the bill, a student that withdrew from school for reasons other than financial hardship would have their driver's license and employment certificate revoked. The Department of Child Labor and the Bureau of Motor Vehicles could incur some additional expenses associated with revoking the licenses. The impact would likely be minor.

This provision would impact state expenditures by the increase in the ADM count used in the school formula. According to the Department, about 4,000 students drop out of school each year: approximately 2,000 juniors and 2,000 seniors. Raising the dropout age to 18 would increase the number of students attending school by an average of about 4,000 the second year and 6,000 for the third year. The impact would be delayed one year since the students are counted in the September student count in the year they withdraw. Some estimates by the Higher Education Commission indicate that as many as 20,000 students drop out. The increase in state funding would depend on the school formula, the calendar year cap on appropriations, and the number of additional students enrolled in schools since they could not withdraw.

Examples: The current formula is only for CY 2005. If the current formula and the Department's reported dropout data are used to measure the potential increase in state expenditures, then the approximate increase in state costs would be approximately \$8.7 M for CY 2007 and \$11.3 M in CY 2008. Property taxes would also increase by about \$2 M. The state currently funds about 67% of the school general fund levies through property tax replacement credits. The state expenditures for PTRC and Homestead Credits could increase by about \$1.3 M.

As a second example, the regular school formula revenue generates an average of \$5,300 per student for CY 2005. If schools receive \$5,300 for each student that did not drop out, then the impact could be \$21.2 M

(\$5,300*4,000).

Under a third example, if the increase in the students (between 4,000 and 20,000) is built into the enrollment projection of the school formula simulation, the inclusion of the students might not increase the funding to local schools. However, revenue could shift between schools.

Spring ISTEP- Under the bill, the Department of Education would be required to administer ISTEP examinations during the spring instead of the fall for Grades 3 thru 10. The first spring ISTEP examinations would occur in 2006-2007 school year. Under this provision, a piloting phase would be implemented which would affect the impact to state expenditures.

The Department would likely incur additional administrative expenses to pilot new ISTEP examinations for Grades 3 thru 10. Current assessments are based on proficiencies from the preceding grades (Grades 2 thru 9). New assessments given in spring would need to be based on current grade proficiencies. The development of a new test typically involves the following determinations when establishing alignment with a set of state standards: (1) the number of questions; (2) the length of each question; (3) cutoff scores; and (4) test validity and reliability.

The Department would be required to develop a plan to assist teachers to diagnose students educational needs in English, Math, Science, and Social Studies. The plan would have to include assessments for grades K-12, which for grades 3-12 would have to be online. Also, included in the plan would be a new graduate examination and written essay examinations. The plan would designate that assessments and graduate examinations would be administered annually during the first two weeks in May.

Additionally, before October 1, 2005, the Department would be required to develop a plan to establish a long-term contract with a vendor to implement the assessment proposed by the bill. The bid process must be completed by December 31, 2005. A selected vendor would develop the proposed spring pilot test.

The funds and resources required above could be supplied through a variety of sources. Ultimately, the source of funds and resources required to satisfy the requirements of this bill would depend upon legislative and administrative actions.

Fiscal Information Background (Spring Pilot): The Department of Education estimates the impact to state expenditures for a spring pilot ISTEP to be \$11.1 M in FY 2006 (\$9.9 M English/Language Arts and Math, and \$1.2 M for Science.) Depending on whether the spring pilot ISTEP meets the federal guidelines for meeting adequate yearly progress (AYP), the state may still be required to offer a fall ISTEP examination in 2006. Therefore, depending on the outcome of the proposed spring pilot in 2006, with respect to federal AYP guidelines, the impact to state expenditure in FY 2007 is currently not determinable.

Approximately \$7.5 M to \$7.9 M in federal funds scheduled to be received in FY 2006 could be used to offset the cost to test the federally required grades of 4, 5, and 7 in the proposed spring 2006 pilot.

For comparison purposes only, the cost to offer a fall ISTEP, under current law, would be approximately \$30 M in FY 2006.

In FY 2005, \$39,210,450 was appropriated from the state General Fund and state dedicated funds for ISTEP testing and remediation. Of the appropriated amount, approximately \$17 M were distributed to eligible school

corporations for preventive and regular remediation, and approximately \$22.4 M were distributed for test development and administration. In addition, the Secondary Market Fund was used to supplement the remediation appropriation in FY 2005.

ISTEP Background: ISTEP is Indiana's statewide student assessment program, which is administered to Grades 3 thru 10. ISTEP+ is a criterion-referenced test and administered in the fall based upon proficiencies from the previous year.

The criterion component of ISTEP (which includes English/Language Arts and Mathematics subject areas) measures student performance against the Indiana Academic Standard (an expectation of student achievement developed by the State Standards Task Force).

Beginning with the graduating class of the 1999-2000 school year, students who expected to graduate with a diploma were required to either: (1) complete all high school graduation credit requirements in addition to receiving a score at or above the Indiana Academic Standard on the examination; (2) successfully complete all components of the CORE 40 curriculum; or (3) successfully appeal the examination test results in accordance with current law. A student who does not receive a score at or above the Indiana Academic Standard may retake the examination during each semester of each grade following the grade in which the student is initially tested.

In the 2003-2004 school year, approximately 61% of tenth grade students received a passing score on the examination in both English and Math. Approximately 61% of the tenth grade class in the 2002-2003 school year received a score at or above the Indiana Academic Standard on both portions of the examination.

Teacher Examinations- Under the bill, persons taking a PRAXIS examination for teacher certification would be able to receive the following upon completion of the exam:

- 1) Total test score,
- 2) Area sub-scores, and
- 3) Itemized descriptions by area(s) of deficiency.

The cost to produce the score reports with area deficiencies and sub-scores, as required in the bill, could be passed on directly to applicants that take the exam. This provision should impact to the Professional Standards Board minimally.

Background: PRAXIS examinations are given by ETS (the current PRAXIS vendor) to applicants directly at various colleges and universities in the state. If requested by the applicant, the Professional Standards Board may receive a copy of the total test score from ETS. ETS charges \$25 for scores reported by phone and \$35 if reported by mail.

The PRAXIS examination is currently offered in either paper/pencil or computer-based form. The following table shows the current cut-scores for both versions of PRAXIS.

Test Area	Paper/Pencil	Computer
Reading	176	323
Writing	172	318
Mathematics	175	320

Initial Teacher License Requirements- Under the bill, the Department of Education would be required to submit initial teacher license requirements to the Education Roundtable for review. The Department would have until October 1, 2005 to comply with the provision. The Department's existing resources should be sufficient to report the license requirements to the Roundtable.

Teacher Recruitment and Retention- Under the bill, the Teacher Recruitment and Retention Fund would be created to provide financial assistance to teachers who work in a critical shortage area after they graduate from school. The impact to state expenditures depends on the number of teachers that would apply for the repayment assistance, teach in a geographical area where a critical shortage of teachers exists, and the appropriations to the fund. There are approximately 25,036 teachers with more than one and up to ten years of experience.

To qualify for loan repayment assistance for student loans a teacher must;

1. hold a license to teach under IC 20-6.103;
2. complete at least 1 year of teaching service in a geographical area of Indiana where a critical shortage of teachers exists, as determined by the Professional Standards Board;
3. agree in writing to the employment requirements; and
4. meet additional requirements that the Professional Standards Board may establish.

According to the Smart Student Guide to Financial Aid, graduates from a four-year college potentially owed an average of \$16,888 in federal loans. The maximum amount of the repayment assistance per year is the lesser of \$3,000 or 50% of the total principal and interest on the guaranteed student loan owed by the teacher. If 10% of the 25,036 teachers with more than one and up to ten years of experience apply for the maximum assistance, then applications for assistance could potentially total \$7.5 M annually. The teacher can receive the assistance for five years.

The proposed Teacher Recruitment and Retention Fund would consist of gifts, grants, devises, or bequests received by the state. The amount of assistance available would be limited to the balance in the fund. The fund is to be administered by the Professional Standards Board, and expenses to administer the fund must be paid from the fund.

Since the fund consists of gifts, grants, devises, or bequests to the state, and the expenses to administer the fund are to be reimbursed by the fund, there would be no effective state impact under this provision.

Study of Alternative Teacher Certification- The Department of Education would be required to submit the results of a study of alternative means of teacher certification to the Legislative Council by no later than December 31, 2005. The Department would likely require additional administrative time to complete the study. If the Department did not contract with an outside service to research and prepare the study, the Department would likely be able to accomplish this provision within existing resources.

Explanation of State Revenues: *Professional Standards Board- Summary:* Under the bill, the fee revenue for teacher licensing would be placed into the Professional Standards Fund, and no longer placed into the Professional Standards Board Licensing Fund established by P.L. 224-2003.

Background: Under current law, fee revenue for teacher licensing is deposited into the Professional Standards Board Licensing Fund. Effective January 1, 2002, teacher license fees are \$35. The limited license fee is \$35, and the fee for a substitute certificate is \$15. In FY 2004 the Board collected \$1.07 M in teacher license revenue. Licensing revenue currently placed in the Professional Standards Board Licensing Fund is used by the Board to carry out their duties under statute.

Explanation of Local Expenditures: (Revised) *Mandatory School Attendance Age-* Schools could have additional expense to provide educational programs for the 16- to 18-year-olds that would have dropped out of schools. The impact of this provision to school expenditures would depend on the programs the schools provided.

The school could incur additional expense to report the number of students that withdrew or failed to return to school. The increased costs would likely be minor. Exit interviews should not increase expenses given interviews are required under current law. The cost of the exit interview could decrease since if there are fewer interviews as a result of this provision.

Under the bill, habitual truant students (students gone for more than ten days) would not be issued an operator's or learners' permit until age 16.

Explanation of Local Revenues:

State Agencies Affected: State Board of Education, Department of Education, Professional Standards Board.

Local Agencies Affected: School corporations.

Information Sources: Bob Hill, Professional Standards Board; Eleanor Finnell, Professional Standards Board, 232-9018; State of Indiana, *List of Appropriations July 1, 2003, to June 30, 2005*; State of Indiana, *HRM Detail Staffing Report November 4, 2004*; Indiana State Budget Agency: BUDSTARS; *Indiana Handbook of Taxes, Revenue, and Appropriations FY 2004*; School Formula Simulations, Department of Education Databases; Nick Vesper of the State Student Assistance Commission; Smart Student Guide to Financial Aid, <http://www.finaid.org/loans>; Wes Bruce, Department of Education; CTB McGraw-Hill; State of Indiana, *List of Appropriations* (July 1, 2003, to June 30, 2005); *ISTEP+ Program Manual 2004-2005*; Department of Education Internet site: <http://ideanet.doe.state.in.us>; Professional Standards Board Website: <http://www.in.gov/psb/faq/teachertesting.html>.

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